

CLASSIFICATION ~~CONFIDENTIAL~~ **CONFIDENTIAL**
 CENTRAL INTELLIGENCE AGENCY
 INFORMATION FROM
 FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

CD NO.

50X1-HUM

COUNTRY China
 SUBJECT Economic
 HOW PUBLISHED Daily newspaper
 WHERE PUBLISHED Hong Kong
 DATE PUBLISHED 6 Jun 1950
 LANGUAGE Chinese

DATE OF INFORMATION 1950

DATE DIST. 5 Jul 1950

NO. OF PAGES 5

SUPPLEMENT TO REPORT NO.

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF E. MORGAN ACT 80 U. S. C. 21 AND 22, AS AMENDED. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

SOURCE Ta Kung Pao.

OUTLINES RED PROGRESS AND PLANS
 IN NORTHEAST INDUSTRIALIZATION

The following is the first three parts of Kao Kang's report to the first session of the Northeast Delegates Assembly, on 13 March 1950.

Importance of Northeast in Nation's Economy

On the basis of 1943 figures, which are not wholly accurate but approximately correct, the Northeast produced 49 percent of the nation's coal, about 87 percent of the nation's iron, 93 percent of the nation's steel, and 78 percent of the nation's electric power, and possessed 42 percent of the nation's railroad lines. Data for the Northeast show a number of heavy industries to be excellent in all respects. Northeast agriculture and industry are world famous. In 1938, for example, Northeast soybean production came to 51 percent of the nation's output.

At an All-China CCP Conference held last year, Comrade Mao Tse-tung stated that modern [mechanized] industry represents only about 10 percent of the Chinese people's economy. If the figures for Northeast industry are also included, modern industry still occupies only about 10 percent of the whole Chinese people's economy. This is proof of the retarded state of China's economy. But, within the scope of the Northeast itself, the picture is different. According to 1943 data, industrial production in the Northeast represented about 56 percent of the whole people's economy in the district. In other words, as far as the Northeast is concerned, industry is operating on an enormous scale. This is why all of China looks to the Northeast for help and why Mao Tse-tung praises our achievements and encourages our continued efforts.

Fine Precedent Established

The liberation of the Northeast was completed in the winter of 1948: economic rehabilitation for the whole Northeast was begun in 1949. We have exceeded our recovery plans for this year and have invested capital equivalent to 2 million tons of provisions. By April 1949, 191 factories were operating; by September the number had increased to 243; by December we had 307 plants in operation.

CONFIDENTIAL

- 1 -

CLASSIFICATION			CONFIDENTIAL		
STATE	<input checked="" type="checkbox"/> NAVY	<input checked="" type="checkbox"/> NSRB	DISTRIBUTION		
ARMY	<input checked="" type="checkbox"/> AIR	<input checked="" type="checkbox"/> FBI			

CONFIDENTIAL

50X1-HUM

The total 1949 production value within the Ministry of Industry system amounted to 7,960,000 tons of kaoliang (not including production in military projects) and surpassed the estimates by 4.2 percent. Certain essential heavy industries, such as iron, steel, and copper refining, coking coal, coke, electric power, machine manufacturing, etc., have all exceeded the original estimates. Some light industries (such as cotton yarn, cotton cloth, paper) have failed to meet the original estimated figures. Precedence was given to the completion of the quota for rail transport. Floods in the South and drought in the North held agricultural production down to 14,500,000 tons (not including 2 million tons produced in secondary industries) only a little above 90 percent of the original estimate. Industrial and commercial enterprises backed by private capital found contracts and markets, since agriculture and the publicly operated enterprises advanced so well. In Mukden, the number of private industries grew from 9,727 to 12,007 between June and December 1949; this was a rise of 23 percent. The number of workers employed in these industries rose from 42,590 to 50,413, an increase of 18 percent.

Production in the publicly operated industries in 1949 recovered to the extent of 29 percent of the 1943 figures under the Japanese occupation, excluding damaged enterprises which either can recover only with difficulty or cannot be rehabilitated at all. Agricultural products recovered as much as 17 percent [of the 1943 figures]. The speed of Northeast recovery is noteworthy. In steel refining, we have recovered to the extent of only 25 percent of the highest level under the Manchurian puppet government; but production has reached 42.2 percent of the maximum puppet-government output. Recovery in cotton-spindle equipment is only 66 percent of the highest puppet-government level, whereas our output is 143 percent of their maximum output.

Industrial production has dropped from the 1943 level of 55 percent of total industrial and agricultural production value down to 35 percent. But agricultural production has advanced from 44 percent of the total production value, as in 1943, to 65 percent. This indicates that our industrial recovery is far from attaining its goal. But, to achieve a full recovery sooner, we stress the rehabilitation of those industries producing capital goods. The value of capital goods produced in 1949 was 74 percent of the total value of industrial products; consumers' goods represented only 26 percent.

In publicly operated industries alone, employment increased by 240,000 during 1949. The average wage in May 1949 was 110 parity units; at the end of December, the average had risen to 140 parity units, an increase of 27 percent. Aside from wages, the amount of public funds disbursed for workmen's compensation, medical care, culture and education, etc., totaled 9 to 11 percent of the whole amount paid out in wages.

The food-cloth exchange ratio has also improved. In the winter of 1948, one ton [sic] of provisions brought only 1.4 bolts of cloth; by the end of 1949, it was worth 2.8 bolts (North Manchuria, Central Manchuria). The quality of cloth also improved.

In 1948, commodity prices rose eightfold on the average; but, in 1949, the increase was only 80 percent. The farmers' burden has diminished: in 1948, tax levies came to 23 percent of total production; in 1949, the levy was only 20 percent.

National retail stores and cooperatives have provided consumers with essential commodities worth about 3,260,000 tons of provisions, which represent about 34 percent of the total retail sales on the general market. These agencies also bought up 1,380,000 tons of various provisions, including over 300,000 tons of native products. As a result of such developments, the people's economy is more secure and prices have grown more stable.

- 2 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

The main reasons Northeast recovery has been so rapid are:

1. We are a nation of workers, laboring under our leaders. We have destroyed imperialism, bureaucracy, the zaibatsu, and the KMT. Our government is devoted entirely to serving the people.
2. We have eliminated imperialistic, feudalistic, and semifeudalistic land systems and liberated the farmer. Under the Japanese occupation, the farmers paid 8 million tons in "military exemption grain" each year; the public grain they paid in 1949 came to 2,300,000 tons. The land rental for farmers has been completely abrogated.
3. We have confiscated the enterprises and properties of the imperialists and bureaucratic capitalists. By controlling those large industries which are the lifelines of national economy -- railroads, banks, large commercial agencies -- we can redirect all economic activity to the welfare of the people.
4. Labor has been highly productive following the liberation. Under the Japanese, coal output averaged 0.36 tons per diem; in 1949, our daily output at Fu-shun, Pen-chi, and other mines averaged 0.54 tons, 150 percent of the puppet-government figures. According to a survey taken in certain plants and mines by the Ministry of Industry the production rate in December 1949 was 32.83 percent higher than in June of that year. New records have been set in 116 plants or factories.
5. Our Party has had some 20 years of basic experience in rehabilitation, and our cadres, although at times lacking in experience, are gaining in capability.
6. Comrade Mao Tse-tung has given us excellent leadership and directed us according to fine policies.
7. The Soviet Union has given us specializes assistance.

Although we have made a good start, we still have many weak points.

1950 Activities

Economic reconstruction activities for 1950 must follow the successful line pursued in 1949. Production goals of major public industries for 1950 and their output for 1949 are given below:

	<u>1950</u>	<u>1949 Output</u>
Pig iron (tons)	720,000	172,000
Ingot steel (tons)	514,000	100,000
Rolled steel (tons)	314,000	72,000
Electrolytic copper (tons)	4,000	1,874
Electrolytic aluminum (tons)	4,000	2,000
Coal (tons)	17,000,000	11,000,000
Power (kilowatts)	2,000,000,000	1,400,000,000
Electric motor (units)	6,800	1,109
	(totaling 100,000 horsepower)	
Machine tools (units)	3,300	497
Cement (tons)	430,000	218,000
Paper (tons)	50,000	22,800
Cloth (bolts)	5,700,000	2,450,000
Yarn (bundles)	230,000	120,000

CONFIDENTIAL

~~CONFIDENTIAL~~

CONFIDENTIAL

50X1-HUM

Basing values on the Northeast currency standard of 1943, the total industrial output goal of public industry for this year has been set at 2.3 billion yuan. This output will be 193 percent of the value of last year's output of about 1.1 billion yuan and will be more than 57 percent of the 1943 output. Of this 2.3 billion yuan, production facilities will occupy 79 percent, or about 1.8 billion yuan, and consumers' goods, 21 percent, or about 490 million yuan. The benefits that the people will derive from this increase in production facilities will be enormous. With regard to consumers' goods, this 21 percent represents an increase over the 1949 output by about 40 percent so that the actual supply of goods to them will not be diminished.

With regard to agriculture, plans are being made to cultivate more than 17.2 million hsiang [one hsiang equals 1 1/6 acres] of land, of which 234,000 hsiang will be placed under cotton cultivation and 97,000 hsiang under hemp cultivation. The grain production goal for this year has been set at about 18 million tons. This is about 137 percent of the 1949 output and 93 percent of the 1943 output.

In the field of forestry, more than 5,938,000 square meters of timber are to be cut during this year as compared to last year's 4,600,000 square meters. Greater emphasis will be given, moreover, to the reforestation program during the year.

In 1949, industrial production occupied only 37 percent of total production as compared to 67 percent for agriculture. The fulfillment of this year's goal will enable us to raise the industrial output ratio to about 43 percent. Our ultimate goal, however, is the 1943 level of 57 percent and until we reach this goal, we must not relax our efforts.

With regard to this year's income, expressed in terms of foodstuffs, it is estimated that the agricultural tax will yield about 2,400,000 tons; customs levies, salt tax, and other urban taxes, approximately 3,150,000 tons; and profits from state-owned enterprises, about 6,160,000 tons. If the income expected from public bond sales and the accounts brought forward from last year are added to the above, this year's income will total about 12,390,000 tons. Approximately, 6,615,000 tons, or about 54 percent, of this income will be reinvested in economic reconstruction activities. Of this, approximately 5 million tons will be expended in the industrial field. Industry producing production equipment is to get about 85 percent of this 5 million, while industry producing consumers' goods will be given about 15 percent. It might be added that this year's industrial investment will exceed last year's by more than 2 1/2 times.

State-owned stores and cooperatives are expected to conduct about 51.97 billion yuan (Northeast currency) worth of retail business during this year. This means that they will control about 50 percent of the total retail business, an increase of about 16 percent over last year.

No effort will be spared in eliminating speculators so that the consumers will be able to obtain goods at a reasonable price. Efforts will be directed, moreover, toward the establishment of a situation whereby the farmers willingly supply their foodstuffs and raw materials to the factories in exchange for manufactured goods. To accomplish this end, plans are now being made to increase the number of state-owned retail stores from the present 370 to 1,500. During this year, these stores are expected to conduct more than 26.2 billion yuan (Northeast currency) worth of business. State-owned cooperatives which number about 9,000 are also planning to expand their business so that they may sell more than 25.9 billion yuan worth of goods this year.

- 4 -

~~CONFIDENTIAL~~

CONFIDENTIAL

~~CONFIDENTIAL~~
CONFIDENTIAL

50X1-HUM

The government plans to purchase about 2 million tons of the crop to be harvested during this fall. Moreover, it is planning to expend about 1.7 trillion yuan (Northeast currency) to buy up native products. At present, there is great need for many commodities which can be used by the retail stores in bartering with the farmers. To produce these goods, it is essential that our national light industry be expanded. In addition, local public and private light industry must be encouraged to increase production so that the needs of the people can be met.

Our foreign trade must be developed. It is expected that our import and export trade will reach about 160 million US dollars during this year. This is an increase of more than 100 percent over last year's figures. Imports will consist mainly of industrial equipment and essential raw materials; exports will consist mainly of surplus commodities.

- E N D -

~~CONFIDENTIAL~~

- 5 -

CONFIDENTIAL